Committee on Resources
Subcommittee on Energy & Mineral Resources

Witness Statement

Testimony before the
Committee on Resources, Subcommittee on Energy and Mineral Resources
U.S House of Representatives
Presented by
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Spokane Field Hearing
September 11, 1999

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I. Introduction

The Northwest Mining Association (NWMA) welcomes you to the city we have called home since 1895. NWMA was founded 104 years ago by miners from the states of Idaho, Montana and Washington, as well as several Canadian provinces. Today, NWMA has 2,500 members residing in 42 states and 8 Canadian provinces. Our purpose is to support and advance the mineral resource and related industries, to represent and inform members on technical, legislative and regulatory issues, to provide for the dissemination of educational materials related to mining, and to foster and promote economic opportunity and environmentally responsible mining.

Our members are actively involved in exploration and mining operations on BLM and USFS administered land in every western state. Our membership represents every facet of the mining industry including geology, exploration, mining, engineering, equipment manufacturing, technical services, and sales of equipment and supplies. Our broad-based membership includes many small miners and exploration geologists as well as junior and large mining companies. More than 90% of our members are small businesses or work for small businesses.

Our members have extensive first-hand experience with the general mining laws, the National Environmental Policy Act (NEPA), the permitting process, the 43 CFR 3809 regulations ("3809 regulations"), and issues involving access to the public lands for mineral development.

The public lands provide a major source of domestic mineral production. Mining on federal lands provides the nation's highest paid non-supervisory wage jobs. These jobs are one of the cornerstones of western rural economies and are the foundation for the creation of much non-mining service and support businesses found in or near federal lands in the West.

Hardrock mining on these federal lands provides substantial local and state tax revenues for infrastructure and services, as well as federal tax revenues. This is because development of hardrock minerals creates new wealth, which is distributed throughout the U.S. economy and society. We are fortunate today to have two experts, Mr. Leaming and Mr. Dobra, who will provide the committee with important information and data on the financial and economic contribution of mining to the U.S. economy. With Microsoft and Boeing headquartered in Seattle and a number of computer/high tech firms located here in Spokane, many believe that mining is not an important industry to Washington State. We disagree. According to Mr. Leaming's study, the combined direct and economic impact of mining on the State of Washington was in excess of $9.6 billion in 1995. Hardly a drop in the bucket. Furthermore, it is hard to imagine two industries more dependent on mining than aircraft manufacturing and the computer industry. There are more than 34 mined products in every personal computer, yet, we doubt that Bill Gates understands that without mining there would be no Microsoft.

We are focusing our testimony today on why mining companies are abandoning the United States. We will show how the anti-mining policies of the Clinton Administration are creating an untenable investment climate in the U.S. and destroying the very fabric of our society. We will suggest constructive amendments to the federal mining laws that we believe will provide a fair return to the federal treasury, security of title and access to mining claims, and funding of abandoned mine cleanup in a balanced approach. Our testimony will conclude demonstrating why the social and economic future of the United States depends on a strong, viable domestic mining industry.

II. Where Have All the Mining Companies Gone…and Why.

The first 85 years of NWMA's history were exciting times for Spokane and mining. Nearby mines helped finance much of the infrastructure of railroads and highways everyone takes for granted today. Lead and silver production from the Coeur d' Alene district, located 30 miles east of Spokane, played a major role in our country's ability to win two world wars. The mines also produced a substantial portion of the wealth that built Spokane and Coeur d'Alene and laid a strong foundation for the future. For more than 100 years, Spokane has serviced the Coeur d' Alene Mining District, the largest silver-producing district in the U.S. with more than 1.2 billion ounces produced. And, as recently as 1994, Washington State was the 7th largest gold producer with three producing mines.

Times certainly have changed. Today, there are just a handful of mines operating in our vicinity, mostly on private or patented lands. We are down to three producing mines in northern Idaho and one producing gold mine in Washington State. Less than five years ago, virtually every major mining company operating in the U.S. maintained an exploration or regional office in Spokane. Today, Cominco American is the only major that maintains a presence in Spokane. A number of juniors call Spokane home, but most of them are exploring outside the U.S. Coeur and Hecla have their corporate offices in nearby Coeur d' Alene, Idaho, but both companies are actively seeking opportunities outside of the U.S.

Today, exploration in the U.S. is at a virtual standstill. Even Nevada and Alaska, two states with traditionally strong exploration efforts, are feeling the combined effect of low metals prices and the anti-

mining policies of the Clinton Administration. Why are so many mining companies de-emphasizing the U.S., preferring instead to invest their wealth-creating, job creating dollars in foreign countries? Why did the Chairman of Kinross Gold tell a recent gathering of mining professionals in Denver that the country with the greatest political risk for mining today was the United States? We believe you will find the answers to these questions in the anti-mining policies of the Clinton-Gore administration and the inability of Congress and the Administration to agree on constructive amendments to the Mining Law of 1872.

III. The Clinton-Gore Anti-Mining Agenda

A. The U.S. Permitting System

Since Bill Clinton was elected President and Bruce Babbitt appointed Secretary of the Interior, permitting a mine in the U.S. has become an overt political exercise fraught with uncertainties and delay after delay after delay. It is a never-ending story with no sideboards and no accountability. Very few federal regulators are willing to make decisions for fear of being reprimanded by their Washington DC offices. The current political climate makes it very difficult for federal regulators to dismiss comments that lack foundation, resulting in unnecessary expenditures of substantial public resources, numerous delays, protracted and contentious public debates over proposed mines, and enormous costs to the industry. A few examples will illustrate this point.

1. Phelps Dodge's Safford Copper project, located in an historic mining district in Arizona, began the National Environmental Policy Act (NEPA) process for surface operations in 1994 as a BLM land exchange. The initial plan of operations was filed in May 1996, and a revised plan of operations was filed in January 1997. The original schedule for project development was 1999. However, the Draft Environmental Impact Statement (DEIS) was not published until September 1998. The Final EIS is anticipated in 2000, with project development now scheduled for 2002. If everything remains on schedule (and there is no reason to assume that it will given the recent permitting experience with the BLM), it will take 8 years to permit a surface copper mine in southeast Arizona at a location that Phelps Dodge conducted underground mining operations from the 1960s until the early 1980s. Now, compare this "no end in sight" debacle with the permitting experience of Phelps Dodge Chilean operations that were permitted to the exact same environmental standards required in the United States in 13 months. If you are a mining industry CEO, where do you invest your shareholders' money? Unfortunately for the people of southeastern Arizona, the high paying jobs that mining provides are being filled in Chile, and not by Arizonans.

2. In western Montana, ASARCO's Rock Creek project has endured 11 years of permitting at a cost in excess of $17 million and they still do not have a final EIS and Record of Decision. Rock Creek is an underground copper and silver mine. It is expected to produce more than 1 billion pounds of copper, 115 million ounces of silver, employ 345 people in a county with the highest unemployment rate in Montana, pay more than $10 million annually in wages and salaries, and pay more than $4.5 million annually in income taxes and benefits. It also will pay more than $3.2 million annually in property and mining taxes, purchase more than $15 million annually in goods and services, have a positive economic impact of more than $34 million annually, and operate for more than 25 years not including the construction period. Yet 11 years after the permitting process began, the people of northwestern Montana continue to be battered and held hostage by the anti-mining, anti-natural resource development policies of the Clinton-Gore Administration. Unemployment in Sanders County Montana remains the state's highest.

3. Noranda's Montanore project is another underground copper project located near the Rock Creek project in western Montana, Last year, Noranda finally received a favorable ruling from the 9th Circuit Court of Appeals, more than 10 years after the permitting began. The environmental groups that sued Noranda told company officials that they knew they would not win the lawsuit and could not legally stop the mine. Their strategy was to prolong the permitting process, litigate, litigate, litigate, and increase the company's expense in the hope that Noranda would eventually give up. A good strategy if you are opposed to mining in the U.S., and one that is, unfortunately, working. Noranda has closed all U.S. offices, announced they were pulling out and seeking someone to buy the Montanore project. Meanwhile, there are no new jobs in Sanders County Montana.

4. Battle Mountain's Crown Jewel project is located in an historic mining district in north central Washington State. Okanagon County has an unemployment rate that is twice the state average and nearly four times the rate in Seattle. It has undergone an excruciating 7 year permitting process, received more than 53 state and federal permits, and was issued a favorable Record of Decision (ROD) in January 1997. The project has withstood administrative challenges to every permit and the ROD as well as several legal challenges. In December 1998, a federal district court upheld the EIS and ROD. After spending more than $85 million on the project, Battle Mountain Gold was on the verge of receiving its operating permit when it was taken hostage by the Department of the Interior and its Solicitor, who has attempted to change 127 years of law with the stroke of his bureaucratic pen. Fortunately, through the efforts of Senator Gorton, Representatives Nethercutt and Hastings, and many, many others, Congress rightfully intervened and set the project back on track.

Crown Jewel will produce 1.5 million ounces of gold over a projected life of 8.5 years., employ 140 people, purchase $11 million in goods and services annually, and generate more that $1.1 million annually in state and local taxes. Construction will create 95 direct and nearly 160 indirect jobs. Annual payroll will exceed $4.9 million and result in the creation of approximately 70 secondary jobs as the local economy expands. More than 80% of the residents of the area strongly support the project, yet a handful of mine opponents, funded by six figure grants from private non-profit foundations have been able to deny Okanagon County this outstanding opportunity for much needed economic growth through blatant manipulation of the permitting system, and the filing of frivolous lawsuit after frivolous lawsuit.

Each of these examples point to the need to reform the NEPA process to provide firm time guidelines and deadlines, to provide sideboards and bring accountability to the process, and to require the losing party to pay all costs and attorney fees if they challenge agency decisions in court. Without these reforms, the mining industry will continue to seek opportunities outside the U.S.

B. The Clinton Administration's Fourth Branch of Government: Rulemaking without Due Process

The framers of the U.S. Constitution wisely separated governmental power into three distinct branches: Legislative, Judicial and Executive. Unfortunately, the Secretary of Interior and his rogue solicitor have declared war on the U.S. mining industry by creating a fourth branch of government: rulemaking without public or congressional input. Secretary Babbitt and Solicitor Leshy have declared Congress and the people irrelevant. Secretary Babbitt admits, "*We've switched the rules of the game. We're not trying to do anything legislatively.*" They are unilaterally implementing their policies administratively through executive fiat, instruction memoranda, Solicitor Opinions, and in some cases, Administrative Procedures Act rulemaking.

Initially, Secretary Babbitt attempted to obtain legislative approval for his policies. However, when Congress time and again wisely rejected Secretary Babbitt's proposals, he proceeded to seek other ways to

implement his personal political agenda. We provide the following examples for the Committee's consideration.

1. The Hardrock Bonding Rule. In February 1997, Secretary Babbitt announced a new hardrock bonding rule without complying with the notice and comment provisions of the Administrative Procedure Act and without conducting the required analysis of the impact of the proposal on small businesses as required by the Regulatory Flexibility Act and the Small Business Regulatory Enforcement Fairness Act. This committee conducted two oversight hearings on this matter and issued a report entitled *Abuse of Power: The Hardrock Bonding Rule* on June 5, 1998. We incorporate that report into our testimony by reference.

While this committee was carrying out its oversight responsibilities, our Association sued Secretary Babbitt in May 1997 in the United States District Court for the District of Columbia challenging the rulemaking on the grounds that it violated the Administrative Procedure Act and the Regulatory Flexibility Act. In May 1998, U.S. District Judge June Green invalidated the illegally promulgated bonding regulations on our Motion for Summary Judgement because the BLM had violated the requirements of the Small Business Regulatory Enforcement Fairness Act to analyze the impact of agency rules on small businesses. *NWMA v. Babbitt 5 F.Supp.2d 9 (D.D.C. 1998)*. A copy of that decision is attached to this testimony and incorporated by reference.

2. The Millsite Opinion. Undaunted by these setbacks, Interior Solicitor John Leshy, an acknowledged critic of U.S. mining laws, issued a novel opinion on the use of millsites which, in effect, amended an Act of Congress after 125 years of consistent interpretation by the agencies and the courts. It is important that Congress understands that Solicitor Leshy's millsite opinion is not now, and never has been, the law. Nothing in the Mining Law even suggests a one-to-one millsite-to-lode claim ratio. Virtually every respected Mining Law attorney agrees.

Furthermore, the opinion is expressly contrary to long-standing BLM and USFS policy. For example, the 1991 BLM Manual at Section 3864.1.B provides "A millsite cannot exceed 5 acres in size. There is no limit to the number of millsites that can be held by a single claimant." And, the 1990 USFS Manual at Section 2811.33 provides "The number of millsites that may legally be located is based specifically on the need for mining or milling purposes, irrespective of the types or numbers of mining claims involved." The California State BLM office has records indicating that multiple millsites have been the practice since at least as far back as 1903.

Supporters of Mr. Leshy's interpretation assert that mining was a pick and shovel industry in 1872 and that miners only need a few acres of millsite land for each mining claim. Nothing could be further from the truth. The Mining Law was written by William Stewart, a mining lawyer and Nevada's first U.S. Senator, to address the needs of the mining industry at the Comstock Lode in Virginia City, Nevada. In 1872, the Comstock Lode was one of the great industrial centers in the United States. Virginia City miners routinely needed and used significantly more than 5 acres of millsites for each lode claim. A one-to-one ratio would no more have worked in 1872 than it does in 1999. In 125 years of judicial interpretation, not one single case has addressed or discussed or implied a ratio between lode claims and millsite claims. The only limitation is one of need, not number. The issue had never been raised prior to the issuance of the Millsite Opinion.

Supporters of the Leshy opinion also assert that it is the advent of large cyanide leach open pit mines that has made the "millsite ratio" unworkable. Again, they are wrong. Noranda's Montanore project is an

underground mine and will use conventional 75-year-old floatation methods to separate the metals. The entire mine involves only two lode claims because of the concept of extralateral rights. It would be impossible to fit the crushing, milling, processing, maintenance and transportation operations as well as the tailings and waste rock storage on ten acres of millsites.

The Millsite Opinion is a cleverly orchestrated campaign by John Leshy to make the Mining Law unworkable and stop mining on the public lands. Over the past 12 years, Mr. Leshy has suggested such a strategy in his writings.

- "At the extreme, it might even be appropriate for the Interior Department and the courts to consciously reach results that make the statutes unworkable." John D. Leshy, *The Mining Law: A Study in Perpetual Motion* (1987).

- "Bold administrative actions like major new withdrawals, creative rulemakings, and aggressive environmental enforcement could force Congress' hand." John D. Leshy, *Reforming the Mining Law: Problems and Prospects*, 9 Pub. Land L. Rev. 1, 10 (1988).

- "A hoary maxim of life on Capital Hill is that Congress acts only where there is either a crisis or a consensus. Currently, there is no genuine crisis involving hardrock mining, but with a little effort, crisis sufficient to bring about reform might be imagined." John D. Leshy, *Id*.

The Millsite Opinion is the usurpation of Congress' legislative powers with no public input to achieve a personal political agenda. It violates the defining principle of our Constitution: Decisions that affect the lives and livelihoods of Americans should be made those elected by and accountable to the public, not by unelected bureaucrats.

According to reports recently issued by the BLM and the USFS, more than 80% of the current and future hardrock mineral production from federal public lands is impacted by the millsite opinion. Suffice it to say that Solicitor Leshy's interpretation, if allowed to stand, would make the mining law unworkable and virtually halt all mining on federal public lands. The resulting impact would be devastating to the economies of the western United States. It is as impossible today as it was in 1872 to fit all of the crushing, milling, processing, maintenance and transportation facilities, as well as tailings and waste rock storage for a 20 acre mining claim on 5 acres of land.

3. The Location, Recording and Maintenance of Mining Claims or Sites Proposed Rule. Three weeks ago, on August 27, 1999, BLM published a proposed rule in the Federal Register at 64 FR 47023 on locating, recording and maintaining mining claims or sites. What was expected to be a very benign rule implementing the three year extension of the claim location and maintenance fees that was contained in the FY 1999 Interior Appropriations Act, has become another attempt by Solicitor Leshy to circumvent Congress and make the Mining Law unworkable. At 64 FR 47037, the Solicitor's Office inserted language that would codify the millsite opinion and expand it beyond the phantom one-to-one ratio. Proposed section 3832.32 would limit millsites to no more than an aggregate of 5 acres of land for each 20 acres of patented or unpatented placer or lode mining claim associated with a millsite, regardless of the number of lode or placer claims located in the 20-acre parcel. There is absolutely nothing in the statutory language of the Mining Law that would support this interpretation.

We urge this committee to conduct an oversight hearing into this proposed rulemaking as soon as possible. Reliable sources indicate that the millsite language was not part of the proposed rule when the required

Executive Order 12866, Regulatory Flexibility Act, Small Business Regulatory Enforcement Fairness Act, Unfunded Mandates Reform Act, Executive Order 12630, Takings, Executive Order 12612, Federalism, The Paperwork Reduction Act and the National Environmental Policy Act Analysis were conducted. It is our understanding that the language on millsites was inserted after BLM staff had submitted the rule to the Secretary's office for approval prior to publication.

4. The National Park Service Opinion. In April 1998, Solicitor Leshy issued a legal memorandum containing a novel interpretation of the 1916 National Park Service Organic Act, as amended. Mr. Leshy's opinion, in effect, re-writes the law and gives the Director of the National Park Service (NPS) virtual veto control over mining, timber, harvest, grazing and other resource activities on federal lands outside National Park boundaries if the NPS determines that those activities will adversely affect the values for which the National Park was established. That opinion is currently being used to block Doe Run Mining Company's lawful attempts to explore for additional reserves in the Missouri Lead Belt (the source of over 85% of the lead produced in the United States) in the Mark Twain National Forest.

The justification for this action is the "need to protect" a unit of the National Park System located about 15 miles away. This area of southeast Missouri has been the primary source of lead in the United States since the mid-1800's and contains the greatest concentration of lead deposits in the world.

Secretary Babbitt is also considering withdrawing this area from future mineral exploration, prospecting and mining. Closing the region to prospecting will effectively end lead mining in southeast Missouri once the present mines are exhausted. Secretary Babbitt is taking this action without any scientific basis for concern. The Doe Run Company has spent hundreds of thousands of dollars on studies that have concluded that lead mining will not impact the distant unit of the National Park System.

5. *De facto* Wilderness and Mineral Withdrawals. Secretary Babbitt has announced plans to designate some five million acres of federal land in four states as national monuments, without congressional approval or public input. Secretary Babbitt has announced that he would urge President Clinton to veto any legislation that would require public input and/or congressional review of the process. National monument status would preclude these areas from mineral entry.

In addition, in 1999 alone, Secretary Babbitt has announced the withdrawal of more than a million acres from mineral entry in Arizona, Montana and Utah to create "buffer Zones" around national parks, or to preserve the sense of place. Neither Congress nor the people have been consulted.

Is it any wonder that our industry is seeking opportunities outside the U.S.?

C. Uncertainty Concerning the Status of The Mining Law of 1872.

In the 1995 Budget Reconciliation Act, Congress enacted three constructive amendments updating the 1872 Mining Law. These amendments provided a 5% net proceeds royalty applicable to mining hardrock minerals on the public lands; reform of the patenting procedure to require the payment of fair market value for the surface and allowing the government to re-acquire title if the land was ever used for non-mining purposes, and the creation of an abandoned mine reclamation fund, funded by the royalty and administered by the states. Unfortunately, Secretary Babbitt recommended a veto of this important legislation because it did not give him the unfettered authority to say no to mining.

Despite the fact that it is the current administration that vetoed Congress' attempts to update the 1872

Mining Law, the Clinton-Gore Administration and opponents of mining use the failure to enact Mining Law amendments to support their anti-mining agenda. The Mining Law is criticized as a relic of the presidency of Ulysses S. Grant, a law that allows mining companies the free use of public land, the right to "get billions of dollars in free gold and silver from your public land," acquire title to public land for as little as $2.50 per acre, with no requirement that mining companies clean up after themselves. The recent debate over the Rahall amendment to the FY 2000 Interior Appropriations Act that would codify the millsite opinion turned into a debate over mining law reform with cries of "raid on the federal treasury, $2.50 per acre, and dirty pictures." While you and I know this isn't true, these sound bites resonate with the public.

Therefore, the Northwest Mining Association wishes to go on record supporting a simplified, constructive approach to updating the 1872 Mining Law. We believe Congress was on the right track in 1995, and we fully support reasonable, responsible and constructive amendments to the Mining Law of 1872. We believe updating the Mining Law requires a balanced approach, one that provides a fair return to the Federal Treasury, security of title and access to mining claims, and funding of abandoned mine cleanup. We must also preserve the high paying jobs so important to the viability of resource-based rural communities in the West.

We believe these goals can be accomplished by focusing on three important areas:

- **A fair return to the Federal Treasury.** NWMA supports a 5% net proceeds royalty imposed on production from federal public lands. A net proceeds royalty places the federal government and the mining company on the same side of the economic equation. An equitable royalty will provide maximum revenues over the long term by continuing to encourage substantial investment in mineral development and avoiding the waste of valuable mineral resources.

- **NWMA supports updating the patent provisions of the 1872 Mining Law.** Current industry proposals provide for the payment of fair market value for the surface of the land in addition to the royalty on the minerals mined. NWMA supports the federal government reserving a "right of reverter" which would provide the Secretary of Interior the right to revoke title to patented lands if the lands are ever used for non-mining purposes.

- **Abandoned mine land reclamation.** NWMA supports making the claim maintenance and location fees permanent and placing one-half of the money collected in an abandoned mine land reclamation fund that would be distributed to state abandoned mine land cleanup programs. We believe half of the fees collected are adequate to cover costs reasonably associated with administering the BLM and USFS mineral programs. We also support depositing all royalties collected into the AML fund.

Reasonable, constructive and balanced Mining Law amendments are the best approach to maximizing the return to the federal treasury while preserving a critical industry essential to providing the mineral needs necessary to sustain America's high standard of living. They are the best approach to ending the seemingly endless debate and bringing some much needed certainty to the process. And, most importantly, we believe the people will see these amendments as fair to all concerned.

IV. The 43 CFR 3809 Rulemaking

Apparently frustrated that Congress would not enact legislation to implement his personal agenda, even when Congress was controlled by his own party, Secretary Babbitt announced that he was going to re-write the surface management regulations (43 CFR 3809) that govern hardrock mining activities on BLM

administered lands, saying, "It is plainly no longer in the public interest to wait for Congress to enact legislation that corrects the remaining shortcomings of the 3809 regulations." Since when does an unelected bureaucrat represent the public interest? Secretary Babbitt's attempt to re-write the 3809 regulations has been described by former Secretary of the Interior and four-term Democratic governor of the State of Idaho, Cecil D. Andrus, as "an attempt to "…accomplish some mining law reform through the back door."

Throughout the two and one half-year process, Secretary Babbitt has ignored request after request from the western governors, from Congress and from industry to identify what is wrong with the current regulations. He has refused to consult with the states despite language in a prior appropriations act requiring him to do just that.

Last year, the Western Governors' Association, frustrated with the lack of cooperation from the Secretary, asked Congress to order a study by the National Academy of Sciences (NAS) to determine the effectiveness of the current state-federal regime for regulating the environmental impacts of hardrock mining on federal public lands. Congress appropriated $800,000 for this study and it is due to be released next week.

Secretary Babbitt published a proposed rule in February 1999 with a 90 comment period ending May 10, 1999. The proposed rule virtually ignored the concerns of the western states and the industry. Despite numerous requests for an extension of time and despite the fact that the NAS study was not due out before July 31, 1999, Secretary Babbitt's response was that he had waited long enough, that these rules were necessary to protect the environment, and that he might consider the NAS study in a final rule if he found it relevant. Congress responded by requiring the Secretary to re-open the comment period for at least 120 days after the NAS study is received.

Does this committee really believe that Secretary Babbitt intends to consider the NAS study in the final rule? His track record is that he has already made up his mind and Congress is, again, getting in his way. We believe that Congress must include language in the FY 2000 Interior Appropriations Act that prevents Secretary Babbitt from promulgating a final rule that is inconsistent with the findings of the NAS report. We suggest that you prohibit Secretary Babbitt from issuing a final rule unless Congress first approves it. It is the only thing he will understand.

Secretary Babbitt will argue that the new rules are necessary to protect the environment. They are not. Currently, there are more than 36 federal environmental laws that apply to mining on federal lands. Every western state has stringent environmental laws and regulations that all mining operations must follow. Today, comprehensive, stringent environmental laws and regulations, modern environmental control technology and corporate commitment combine to produce environmentally responsible mining.

An objective examination of the facts clearly reveals that the modern mining industry practices environmentally responsible mining. The leaders of the mining community are fully cognizant of their responsibilities to the environment. American society has sent a clear message to all industries, not just mining, that environmental concerns are important, and we have heard that message. NWMA's Statement of Environmental Principles (attached) reflects the philosophy, and most importantly, the actual practice of the modern U.S. mining industry. These nine principles affirm what we in the industry know to be true, that environmental protection is an essential element of modern mining.

V. Does Mining Really Matter?

Why are Interior and the Clinton-Gore Administration conducting an all-out war against the U.S. mining

industry? Why are they implementing policy after policy that is destroying the very fabric of rural America? They act as if mining is an evil pursuit driven by corporate greed that results in environmental damage, and, therefore, must be stopped. Interior and opponents of mining cling to the somewhat naïve notion that mining is not necessary. Our industry tends to counter with statistics about the number of jobs that will be created, taxes paid, and overall economic benefits to the local economy. All of these are very important to be sure, but they fail to convey to our society why mining must be encouraged if it is to succeed. All past successful societies have encouraged mining, as will all future successful societies.

Modern civilization began from humble agrarian origins. Over time, a few clever people were soon able to discover the basic principles of first copper, then bronze metallurgy. It was not long before these processes were used to develop tools that began transforming society. But unlike today, the people of years past never lost sight of the fact that they were all dependent on what came from the earth for their continued survival, as well as their newly found wealth. These fundamental concepts are as valid today as they were in ancient times, even though our civilization has grown so complex that it is easy to loose sight of them.

The basic fact is that we mine minerals because our society demands that we do so, and that is why a profit can be made from time to time. Mining makes everything else happen. Mining provides the strategic metals and minerals that are essential for agriculture, construction and manufacturing. Minerals are essential in order to satisfy the basic requirements of an individual's well-being -- food, clothing and shelter. Mining makes civilization, our high living standards and today's sophisticated technologies possible. Without mining there is no civilization, pure and simple - no art, no science, no temples. Unfortunately, our society and our government are filled with people who do not understand these basic fundamentals.

According to the National Research Council, one of the primary advantages the United States possesses over it's strongest industrial competitors, Japan and Western Europe, is it's domestic resource base. The U.S. mining industry provides about 50% of the metals used by U.S. manufacturing companies. During most of the 1990's, while global mineral exploration trends are strong, U.S. mineral exploration was on the decline. Unless this trend is reversed, significant declines and domestic mineral production must occur as present reserves are exhausted, and more capital, jobs and tax revenues will find a home outside of the U.S.

Society's demand for mineral products is increasing at an increasing rate. Meeting that demand is an international business - one in which the United States must remain competitive with other nations for scarce investment capital. As a society we have three choices:

- We can choose not to meet the increasing demand for mineral products. The result will be a lower standard of living for ourselves and future generations as scarcity of mineral supplies force prices to skyrocket and inflation to once again run rampant. The net result will be a lower standard of living and an increase in poverty.

- We could meet the demand for increasing mineral products by mining those minerals outside of the United States. This choice has adverse economic and ecological consequences for our country. Poverty is the worst polluter, for without economic health there can be no ecological health. As a society, can we truly afford to become dependent on other countries to supply our basic mineral raw materials? Can we afford to do without the wealth creating investment dollars, jobs, and taxes? A decline in U.S. mineral production will increase reliance on foreign sources of minerals for our national defense, increase our national trade deficit, and eliminate thousands of high paying skilled jobs in America. If we allow this to happen, how long can our nation remain the world's great economic engine?

- American society's third choice is to produce the minerals we need to maintain our high standard of living in the United States in an environmentally responsible manner. The consequences of this decision are jobs, economic growth, and a clean, healthy environment.

We believe the choice is obvious, but before long-term investments of hundreds of millions of dollars are going to be directed toward the U.S. mining industry, investors must see a predictable legal system, and a government that operates by the rule of law. Investors must know that our government will uphold property rights as their investments prove successful. They will not risk instant losses to "surprise" decisions by unelected bureaucrats. We stand ready, willing and able to work with you to ensure that mining has a long, sound future in the United States.

Thank you for the opportunity to address you today concerning these matters of most importance.

Respectfully submitted this 11th day of September 1999.

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